
**SASKATCHEWAN FOREST
PRODUCTS CORPORATION**

1999 ANNUAL REPORT

LETTER OF TRANSMITTAL

Regina, Saskatchewan
February 21, 2000

To Her Honour
The Honourable Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of the Saskatchewan Forest Products Corporation for the year ended December 31, 1999, including the financial statements, duly audited by the Corporation's auditors and in the form approved by the Treasury Board, all in accordance with **The Crown Corporations Act, 1993**.

I have the honour to be, Madam,

Your obedient servant,

A handwritten signature in cursive script, appearing to read 'E. Lautermilch', written in dark ink.

Eldon Lautermilch
Minister Responsible for the
Saskatchewan Forest Products Corporation

SASKATCHEWAN FOREST PRODUCTS CORPORATION

BOARD MEMBERS

Honourable Eldon Lautermilch
Chairperson

Ms. Patti Beatch
Vice-Chairperson

Mr. Myron Gulka-Tiechko

CORPORATE OFFICERS

Mr. Frank Hart
President

Mr. Myron Gulka-Tiechko
Vice President

Mr. John Amundson
Treasurer

Ms. Wendy Dean
Corporate Secretary

HIGHLIGHTS

For the Year Ended December 31, 1999

Saskatchewan Forest Products Corporation (the Corporation) is a Provincial Crown corporation which owned a 10' high speed stud mill at Carrot River and a Plywood Plant at Hudson Bay. In accordance with a sale agreement dated April 28, 1995, and effective April 30, 1995, the Corporation transferred substantially all of its assets and liabilities to Crown Investments Corporation of Saskatchewan (CIC) in exchange for a settlement of \$40.2 million in equity advances from CIC.

The Corporation, having disposed of all of its major assets, was effectively wound-up on December 31, 1999 through Order-in-Council 736/99 dated December 22, 1999. This is the final annual report and financial statements of the Corporation.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Saskatchewan Forest Products Corporation is responsible for the integrity of the accompanying financial statements. It is the responsibility of management to prepare financial statements in accordance with generally accepted accounting principles in Canada.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, the financial statements have been audited by the independent firm of PricewaterhouseCoopers LLP, Chartered Accountants. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the financial statements, appears on the next page.



John Amundson
Treasurer

January 17, 2000

AUDITORS' REPORT

To the Members of the
Legislative Assembly of Saskatchewan

We have audited the statement of financial position of Saskatchewan Forest Products Corporation as at December 31, 1999 and the statements of operations and retained earnings (deficit) and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Regina, Saskatchewan
January 17, 2000

Chartered Accountants

SASKATCHEWAN FOREST PRODUCTS CORPORATION

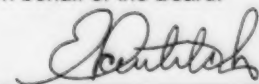
STATEMENT OF FINANCIAL POSITION

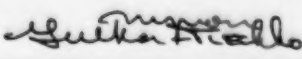
As at December 31

	<u>1999</u>	<u>1998</u>
	(thousands of dollars)	
ASSETS		
Accounts receivable	\$ -	\$ 31
LIABILITIES AND PROVINCE'S EQUITY		
Accounts payable and accrued liabilities	\$ -	\$ 16
Province of Saskatchewan's Equity	-	15
Contingencies (Note 4)	\$ -	\$ 31

(See accompanying notes)

On behalf of the Board:

, Director

, Director

SASKATCHEWAN FOREST PRODUCTS CORPORATION

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Period Ended December 31

	<u>1999</u>	<u>1998</u>
	(thousands of dollars)	
REVENUE		
Rental and other income	\$ 3	\$ 19
Gain on disposal of capital assets	-	655
NET INCOME	3	674
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	15	(1,361)
FORGIVENESS OF ADVANCES FROM CIC (Note 5)	-	702
DIVIDEND TO CIC ON WIND-UP	(18)	-
RETAINED EARNINGS, END OF PERIOD	\$ -	\$ 15

(See accompanying notes)

SASKATCHEWAN FOREST PRODUCTS CORPORATION

STATEMENT OF CASH FLOWS

For the Period Ended December 31

	<u>1999</u>	<u>1998</u>
	(thousands of dollars)	
OPERATING ACTIVITIES		
Net income	\$ 3	\$ 674
Deduct non-cash item		
Gain on disposition of capital assets	-	(655)
Net change in non-cash working capital balances related to operations (Note 6)	<u>15</u>	<u>(1,523)</u>
Cash provided by (used in) operating activities	<u>18</u>	<u>(1,504)</u>
INVESTING ACTIVITIES		
Proceeds from disposal of capital assets	-	802
Advances from CIC	<u>-</u>	<u>702</u>
Cash provided by investing activities	<u>-</u>	<u>1,504</u>
FINANCING ACTIVITIES		
Dividend to CIC on wind-up	<u>(18)</u>	<u>-</u>
Cash used in financing activities	<u>(18)</u>	<u>-</u>
NET CHANGE IN CASH	-	-
CASH POSITION, BEGINNING OF PERIOD	<u>-</u>	<u>-</u>
CASH POSITION, END OF PERIOD	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

SASKATCHEWAN FOREST PRODUCTS CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality.

2. STATUS OF SASKATCHEWAN FOREST PRODUCTS CORPORATION

Saskatchewan Forest Products Corporation (the Corporation) was established by Order-in-Council #1899 in 1949 and is continued under the provisions of **The Crown Corporations Act, 1993**. The financial results of the Corporation are included in the annual consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC). As described in Note 3, the Corporation was wound up effective December 31, 1999.

The Corporation is a Provincial Crown corporation and, therefore, is not subject to federal or provincial income tax.

3. WIND-UP OF CORPORATION

Through Order-in-Council # 736/99 dated December 22, 1999 the Corporation ceased to exist and its assets, liabilities and operations were transferred to its parent Corporation, CIC.

4. CONTINGENCIES

There are various lawsuits and claims that are pending by and against the Corporation. Due to the wind-up of the Corporation, any settlements resulting from the resolution of these matters will be accounted for by CIC.

5. FORGIVENESS OF DEBT

During 1999, the Corporation received advances of Nil (1998 - \$702 thousand) from CIC. These amounts were used to continue the orderly wind-up of the Corporation.

SASKATCHEWAN FOREST PRODUCTS CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

6. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

	<u>1999</u>	<u>1998</u>
	(thousands of dollars)	
Decrease in accounts receivable	\$ 31	\$ 11
Decrease in accounts payable and accrued liabilities	<u>(16)</u>	<u>(1,534)</u>
	<u>\$ 15</u>	<u>\$ (1,523)</u>

7. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Amounts and transactions due to and from related parties and terms of settlement are described separately in these financial statements and the notes thereto.